

Company Watch: SCA expands in India through Libresse

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Following its joint venture with Godrej Consumer Products Ltd in May 2007, SCA launched its Libresse sanitary protection products in early July in 600,000 stores across India.

Although a late entrant into the Indian retail disposable paper products market, SCA is using Godrej's vast distribution network, which reaches 2.5 million retail outlets, to extend its brand availability, aiming to gain a large share of the rapidly growing hygiene products market, sanitary protection in this particular case. Despite the potential stiff competition, SCA is likely to have a notable impact on the market and change the competitive landscape in the near future.

A promising market

Sanitary protection in India is set to post a dynamic CAGR of 11% over 2007-2012, driven by the increase in number of working women, as well as cheaper products offered by multinationals, which benefit from the support of extensive high-profile marketing campaigns.

The number of working women in India rose from 129 million in 2002 to over 135 million by the end of 2007 and is forecast to reach over 140 million in five year's time. Better work prospects have created more opportunities for travel and wider exposure to various hygiene products. The increased mobility of women and more time spent outside of the home have also contributed to the increased usage of sanitary protection products. Between 2002 and 2007, sales of sanitary protection nearly doubled to US\$147 million.

Manufacturers are also making efforts to drive prices of sanitary protection products down in order to cater for the large number of price-conscious Indian consumers. Products such as P&G's Whisper Choice have been well-received by lower-end consumers and first-time buyers. Furthermore, manufacturers' extensive marketing activities targeted at schoolgirls and young working women, and door-to-door visits in rural areas, have both helped drive consumer awareness of personal hygiene.

Late entrant faces stiff competition

In spite of having the advantage of an extensive distribution network, SCA is set to face stiff competition in the Indian sanitary protection sector as it is highly consolidated with the three big multinationals – Procter & Gamble, Johnson & Johnson and Kimberly-Clark – commanding nearly 95% of total sales, according to Euromonitor International's latest research. Their brands have been present in the marketplace for some time and have already built up a strong consumer base, leaving little room for SCA to break into the more affluent urban areas which are key for sanpro products.

The financial resources of existing players, enabling them to provide their respective brands with extensive marketing support, will make it even harder for SCA to build up its share.

Opportunities still exist

However, SCA still stands a good chance of capturing a fair share in India given the market's current development and product penetration level. The company's capability in terms of new product development, combined with the retail distribution revolution in the country, will offer a further boost to SCA's future growth.

Economic development in India has increased consumers' per capita annual disposable income from US\$344 in 2002 to US\$631 in 2007, up by over 9%, while per capita spending on sanitary protection has increased by 11%. With the country's economy continuing to expand and annual disposable income expected to grow at over a 4% CAGR over 2007-2012, consumer spending on sanitary protection is set to increase significantly in the near future, particularly when per capita spending in India stood at just US\$0.10 in 2007, ranking it the lowest in the region.

In addition, the Indian retailing landscape is undergoing a transformation with supermarkets and health and beauty retailers emerging as key distribution channels for disposable paper products. As distribution channels expand within the country, thus boosting product availability, consumer awareness of sanitary protection will be further enhanced.

Faced with such favourable market conditions, SCA should be able to benefit from both its joint venture with Godrej and its vigorous product innovation to attract consumer attention.

Sanitary products currently available in the Indian market are mostly focused on basic absorption. SCA's launch of Libresse comes with added essence of aloe vera, which has a long history in India. It also fits well with local preferences

as natural products, scents and herbs are very popular and well-established in the country. Such added value makes Libresse more appealing to the expanding upper middle-class working women segment, which values product quality more than price. When catering for more price-conscious consumers, introducing smaller unit packs will make products more affordable.

Furthermore, the demand for day towels among Indian women far outstrips demand for night towels, primarily because of low consumer awareness about the difference between the two. Although night towels were available over the review period, manufacturers focused on promoting the usage of basic day towels on a regular basis rather than paying particular attention to night towels. SCA could exploit this under-tapped market and increase its share by encouraging the use of night towels through awareness campaigns.

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